

AS

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 96-009-G - ORDER NO. 96-729

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OCTOBER 21, 1996

IN RE: Annual Review of Purchased Gas Recovery)
Procedures and Gas Purchasing Policies) ORDER
of United Cities Gas Company.)

I.

On October 16, 1991, the Public Service Commission of South Carolina (the Commission) issued its Order No. 91-927 which requires an annual review of the Purchased Gas Adjustment and Gas Purchasing Policies of United Cities Gas Company (United Cities or the Company). Commission Order No. 91-927 also requires the Commission Staff to make an annual audit of the Purchased Gas Adjustment and Purchasing Policies of United Cities, to report to the Commission the results of Staff's audit, and to make the results available to the Company and the Consumer Advocate for the State of South Carolina (the Consumer Advocate) upon completion. By Commission Order No. 94-1050 dated October 6, 1994, the Commission reconsidered the procedure set forth in Order No. 91-927 and ordered that the annual hearings for gas utilities to review their purchased gas adjustment and purchasing policies should follow the same procedure as all other proceedings. This matter comes before the Commission for the annual review of the Company's Purchased Gas Adjustment and Gas Purchasing Policies.

By letter dated May 30, 1996, the Commission's Executive Director instructed United Cities to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The Executive Director also instructed United Cities to furnish, by U. S. Mail, the prepared Notice of Filing to each customer. The purpose of the Notice of Filing was to indicate the nature of the proceeding before the Commission and to advise all interested persons of the manner and time in which to file appropriate pleadings for participation in these proceedings. United Cities complied with the instructions of the Executive Director and as proof of compliance supplied an Affidavit of Publication and an Affidavit of Service to the Commission.

A public hearing relative to the Company's Purchased Gas Adjustment and Gas Purchasing Policies was commenced on October 10, 1996, in the Commission's Hearing Room. The Honorable Guy Butler, Chairman, presided. Jerry Amos, Esquire, and Missy Copeland, Esquire, represented United Cities; Catherine Heigel, Esquire, represented the Consumer Advocate; and Florence P. Belser, Staff Counsel, represented the Commission Staff.

United Cities presented the testimony and exhibits of Bobby J. Cline, Assistant Manager - PGA/ACA Tariff Filings for United Cities. The Consumer Advocate did not present a witness. The Commission Staff presented Norbert M. Thomas, Public Utilities Accountant, and Brent L. Sires, Utilities Rate Analyst, to report Staff's findings.

II.

FINDINGS OF FACT

Based upon the testimony and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. United Cities is a natural gas utility providing natural gas service in its service area within South Carolina, and its operations in South Carolina are subject to the jurisdiction of the Commission, pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended.

2. United Cities' presently approved PGA Rider mechanism was last amended by Commission Order No. 94-1126 dated October 28, 1994. United Cities is operating its PGA Rider in compliance with Commission Order No. 94-1126.

3. United Cities' net Balancing Adjustment resulted in an under-recovery of \$636,720 in gas costs for the twelve months ended June 30, 1996.

4. The appropriate Balancing Adjustments for United Cities is \$0.0367 per therm applicable to firm customers and \$0.0234 per therm applicable to optional or interruptible customers.

5. United Cities' gas purchasing policies for the year under review were prudent and reasonable.

III.

EVIDENCE AND CONCLUSIONS

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1.

The evidence supporting this finding concerning the Company's

business and legal status is contained in prior Commission Orders in the docket files of the Commission of which the Commission takes judicial notice. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are essentially uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 2, 3 AND 4.

The evidence supporting these findings is contained in the testimony of Company Witness Cline and Staff Witnesses Thomas and Sires. In Order No. 94-1126 dated October 28, 1994, the Commission approved the PGA Rider presently used by United Cities. Staff Witness Sires testified that his examination of the Company's PGA filings indicated that United Cities is operating the PGA Rider in compliance with Order No. 94-1126.

According to the testimony of Staff Witness Thomas, the Accounting Department reviewed the calculations included in the annual PGA true-up and traced amounts included in the calculations to the books and records of the Company. A net Balancing Adjustment of \$636,720 was computed for the twelve months ended June 30, 1996, and the net balancing adjustments of \$0.0367 per therm applicable to firm customers and \$0.0234 per therm applicable to optional or interruptible customers reflects an under-recovery for the twelve months ended June 30, 1996. The activity included in the true-up computation for the period July, 1995 through June 30, 1996 included the following:

- 1) Invoice Gas Costs representing the monthly demand and commodity costs associated with gas purchases. For the twelve

months under review, Demand Costs were \$1,023,757 and Commodity Costs were \$5,017,401. From these amounts, Storage injections of (\$599,008) were deducted, Storage Withdrawals of \$437,736 were added, margin losses of \$135,389 were included in accordance with the Company's approved PGA and net Cash-outs from Transportation customers of (\$22,648) were deducted for Total Invoiced Commodity Costs of \$4,968,870.

2) Supplier refunds were received by the Company during the period under review in the amount of \$88,923. Computed interest on supplier refunds at 8.75% was \$7,116 for total Supplier Refunds with Interest of \$96,039. The Company requested, and Staff concurred, that this amount should be returned to the ratepayers by reducing the over/under collection for the period under review.

Staff Witness Thomas testified that the balance at June 30, 1996, of \$636,720 accurately stated and fairly represented the under-collection by the Company for the twelve months ended June 30, 1996, and that the balancing adjustments of \$0.0367 per therm applicable to firm customers and a \$0.0234 per therm applicable to optional interruptible customers should recover the net under-collection from ratepayers during the twelve month period following its implementation.

Based on the evidence presented, the Commission concludes that the appropriate Balancing Adjustment for United Cities is \$0.0367 per therm applicable to firm customers and \$0.0234 applicable to optional or interruptible customers and that these Balancing

Adjustments will recover the under-collection during the next twelve months.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5.

The evidence supporting the Commission's finding that United Cities' gas purchasing policies were prudent is found in the testimony of Staff Witness Sires. According to Mr. Sires, the changes still occurring in the natural gas industry require that United Cities continue to have the flexibility that is currently inherent in its approved PGA Rider.

Mr. Sires further testified that United Cities has demonstrated prudent actions in maintaining adequate supplies at just and reasonable costs. Mr. Sires points to several areas in support of this conclusion. First, Mr. Sires stated that United Cities has not experienced loss of sales to industrial customers with alternate fuel capabilities. Secondly, Mr. Sires stated that United Cities' forecasted firm demand day requirements are 9,376 Mcf's and that United Cities has firm demand entitlements under contract with suppliers of 9,831 Mcf's. Mr. Sires stated that the Utilities Department believes that United Cities has made prudent decisions in meeting its supply requirements for both its firm customers demand entitlement and in competing in the competitive alternate fuel market.

The Utilities Department has reviewed the contracts United Cities has with suppliers for both long term and spot market supplies, and the Utilities Department is of the opinion that the contract provisions are reasonable and represent prudent judgments.

The Utilities Department concluded, among other things, that the Company's PGA is being operated in compliance with Commission Orders.

Based on the evidence presented at the hearing, the Commission concludes that United Cities's gas purchasing practices and policies are hereby found to be prudent.

IT IS THEREFORE ORDERED THAT:

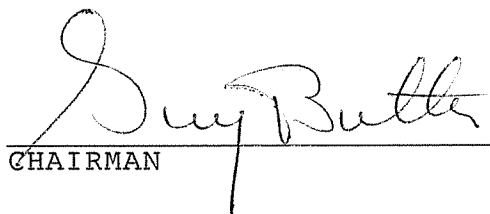
1. A Balancing Adjustment of \$0.0367 per therm applicable to firm customers and \$0.0234 per therm applicable to optional or interruptible customers is approved for United Cities for the next review period and shall be effective with the first billing cycle in November 1996.

2. The Company's gas purchasing policies and practices are hereby found to be prudent.

3. No changes are needed in the Gas Cost Recovery Procedures of United Cities, and the present procedure shall continue.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


CHAIRMAN

ATTEST:


Executive Director

(SEAL)